

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2002-92

April 26, 2002

NORTHERN UTILITIES, INC.,
Proposed Cost of Gas Factor
for May 2002 through
October 2002

ORDER

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

We approve Northern Utilities, Inc.'s (Northern) proposed Cost of Gas Factor (CGF) for the 2002 summer. We also approve an Environmental Response Cost Adjustment (ERCA) of \$0.0100 per Ccf,

II. PROCEDURAL HISTORY

On February 15, 2002, pursuant to 35-A M.R.S.A. § 4703 and Chapter 430(2) of the Commission's Rules, Northern filed its proposed CGF for the Summer 2002 gas usage period. It did not include a proposed change to the ERCA as allowed in Docket No. 96-678. The Commission issued a Notice of Proceeding to intervenors in prior CGF cases and by publication in newspapers of general circulation in Northern's service area.

The Office of the Public Advocate (OPA) intervened. To investigate the proposed CGF changes, the Advisory Staff issued data requests to the Company on its filing. A preliminary hearing was held on March 21, 2002 at which the Advisory Staff explored the issues raised by this filing. In addition, the Hearing Examiner established a schedule for the remainder of this proceeding.

At the March 21, 2002 technical conference, Northern indicated that it would file a revised CGF filing to incorporate an updated forecast of summer period commodity costs and an adjustment to the ERCA as allowed in Docket No. 96-678. After the initial technical conference and prior to filing its updated CGF, Northern notified the Commission that it would revise its CGF filing to reflect supplier refunds that it had inadvertently omitted from the original filing. On April 18, 2002,¹ Northern filed the update increasing the proposed CGF rates by \$0.0759 per Ccf for the residential class. The change in the CGF also reflected a change in the amount of the reconciliation adjustment as discussed later.

¹ Although Northern filed an update on April 16, 2002 revising its proposed CGF rates it was discovered that Northern used an incorrect reconciliation amount in calculating that filing. As a result, Northern filed an additional update on April 18, 2002.

III. RECORD

The record in this proceeding includes all filings, data responses, transcripts, and any other materials provided in this proceeding.

IV. DISCUSSION

A. Overview of Proposed Rates

Northern proposes the following 2002 Summer Period CGF rates on a per hundred cubic feet (Ccf) basis as updated in its April 18, 2002 filing to become effective May 1, 2002:

Class	Rate	% Average Bill Change from Summer 2001
Residential - Heat & Non-Heat (R-2 & R-1)	\$0.6090	-12.1
Small Commercial - Low Winter Use (G-50)	0.5872	-10.2
Small Commercial - High Winter Use (G-40)	0.6209	- 9.3
Medium Commercial - Low Winter Use (G-51)	0.5872	-12.2
Medium Commercial - High Winter Use (G-41)	0.6226	-14.0
Large Commercial/Industrial – Low Winter Use (G-52)	0.5872	-13.9
Large Commercial/Industrial – High Winter Use (G-42)	0.6209	- 9.7

The updated filing also includes a revised ERCA of \$0.0100 for the summer period to replace the ERCA rate of \$0.0061 that was in effect during the 2001/2002 Winter CGF. The proposed revision is calculated to reflect the difference between the estimated and actual ERCA recoveries made during the winter period.

The issues related to these proposed rates are discussed separately below.

B. Issues

1. Last Summer Period Under-collection

Maine regulatory law allows for the recovery of prior period cost of gas under-collections, with interest, during the next corresponding seasonal period. 35-A M.R.S.A. § 4703 and Chapter 430 of the MPUC Rules. In its updated filing, Northern reported an under-collection from the last summer period of approximately \$949,588 of

which \$706,411 was related to demand and \$243,177 was related to commodity.² Northern's filing indicates that this under-collection results from a combination of a large under-collection that remains from summer 2000 and less-than-forecasted gas sales from summer 2001 netted against decreases in gas costs, due in significant part to decreases in the market price of gas supplies, over the same time period. Northern's proposed Summer 2000/2001 under-collection increases the proposed Summer 2002 period cost of gas by approximately \$0.0671 per Ccf for all customer classes.

These increases are related to changes in market price or sales volumes, resulting largely from the effects of weather and market forces. Barring a finding of imprudence in sales forecasting or gas procurement actions, such costs are generally allowed in rates. Because we have found no evidence of imprudence related to these changes in gas costs, we allow them in the summer 2002 period CGF.

2. Supplier Refunds

Northern included in its updated filing the return of refunds that it received from its suppliers, with interest. The refunds are returned to customers over a twelve-month period. It did not include the refunds in its original filing as it was unaware of the receipt of the refunds. Northern became aware of the refunds while obtaining information to respond to an Advisor's Data Request. Northern has stated that it is currently reviewing its internal policies to ensure that it does not miss other supplier refunds. We require that Northern report in its next CGF filing the changes that it has made to its process to ensure that all supplier refunds are captured.

3. Error in Summer 2001 Billings to Commercial & Industrial Customers

In its February 15 filing, Northern included an additional amount of bad debt expense to be collected from Commercial & Industrial (C&I) customers. During the summer 2001 period, Northern inadvertently did not charge these customers for the previous summer's under-collection of bad debt expense. The additional amount (\$24,103 plus interest of \$535) causes the C&I rate for bad debt to be \$.0081 per ccf versus the rate for residential customers of \$.0052 per ccf. In response to Advisor's Data Request No. 1-7, Northern stated that the error was caused by a cell reference problem in the sheet that calculates the rate to be charged.

At the March 21, 2002 technical conference, the Hearing Examiner asked the parties to address whether Northern should be allowed to correct its error from the previous CGF filing. Both Northern and the OPA filed comments. Both parties observed that Chapter 430, Section 4(A)(3) provides that "errors or erroneous reporting" are subject to reconciliation adjustment. The OPA does not object to recovery of the C&I billing error revenue in the upcoming summer period rate, "absent any evidence that the

² The under-collection included in the update is greater than the amount included in the original filing because, while reviewing the calculation, Northern determined that it had used an incorrect allocation factor in allocating costs to Maine. The revision corrects this error.

Company has been negligent in its cost reporting practices and absent any evidence that the Company has not been even-handed in its identification and reporting of errors." OPA comments at 2. But, OPA recommended, as a matter of policy, that carrying charges be excluded from such reconciliation when, as here, the error was the fault of the Company.

There is no indication that Northern was negligent in its cost reporting process or that this was any more than a simple spreadsheet referencing error. Therefore, we will allow Northern to correct its error as originally proposed. We agree that allowing Northern to include interest or a carrying charge on amounts that it could have billed except for its own error is one means of providing the Company an incentive not to make such errors although our rule does not require it. However, in this instance, the amount of interest (\$535) is not material and does not change the rate that Northern bills to its customers.³ Northern should be aware that if there are further occurrences of this nature, it should not assume that we will allow it to charge its customers additional amounts when the Company was at fault for the amounts not billed.

4. ERCA Adjustment

As allowed in Docket No. 96-786, Northern has adjusted its ERCA rate for the summer period in an effort to achieve collections of monies spent on environmental remediation that are recoverable in this year's 12-month ERCA recovery period. It has done so by calculating the amount of allowed but uncollected ERCA revenue to date (for this year) and dividing that by the anticipated sales volumes for the summer period to develop its ERCA rate for the summer 2002 period. We have checked Northern's calculations, find them in compliance with our Order in Docket No. 96-786 and approve the adjustment.

V. **CONCLUSION**

The combination of decreases in projected gas prices and a large under-collection in the prior summer period results in summer 2002 CGF rates as stated above. Our Advisory Staff has reviewed the underlying reasons for these proposed rates and recommends their approval. Thus, we approve the current proposed rates.

Accordingly, we

ORDER

1. That Northern Utilities, Inc.'s proposed revised CGF rates are approved for effect for gas consumed on or after May 1, 2002;

³ With the interest the bad date portion of the CGF rate billed to customers is .00813 and without the interest the rate is .00807. However, Northern's rates include only four decimal points, resulting in a rate of .0081 in either instance. A disallowance would, of course, reduce the total collections that are recoverable by Northern by \$535.

2. That Northern Utilities, Inc.'s Thirty-ninth Revised Sheet No. 20.1 constituting its Cost of Gas Factor for the period May 1, 2002 through October 31, 2002 filed on April 18, 2002, is approved; and

3. That Northern Utilities, Inc.'s Eleventh Revised Sheet No. 34.3, the Environmental Response Cost Adjustment rate schedule, is approved and will become effective May 1, 2002.

Dated at Augusta, Maine, this 26th day of April, 2002.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
Diamond

COMMISSIONER ABSENT: Nugent

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21 days** of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.